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RR RUEHNZ
DE RUEHWL #0809/01 3130453
ZNR UUUUU ZZH
R 090453Z NOV 07
FM AMEMBASSY WELLINGTON
TO RUEHC/SECSTATE WASHDC 4883
INFO RUEHNZ/AMCONSUL AUCKLAND 1543
RUEHBY/AMEMBASSY CANBERRA 5032
RUEHDN/AMCONSUL SYDNEY 0604
RHHMUNA/CDR USPACOM HONOLULU HI

UNCLAS SECTION 01 OF 02 WELLINGTON 000809

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SENSITIVE

STATE FOR STATE FOR EAP/ANP
PACOM FOR J01E/J2/J233/J5/SJFHQ

E.O. 12958: N/A

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SUBJECT: PM CLARK PROMISES TAX CUTS, CLIMATE CHANGE LEADERSHIP, AND
CONTINUATION OF INDEPENDENT FOREIGN POLICY

¶1. (SBU) Summary. During the November 2-4 ruling Labour Party annual conference, PM Helen Clark's keynote speech emphasized sustainability and Clark's determination that New Zealand will be a leader, not a follower, in the climate change arena. She promised tax cuts at the next budget ahead of the 2008 election. In a thinly veiled swipe at the U.S., Clark warned that New Zealand's independent foreign policy would become a dependent policy under a National Government. The media and the opposition National Party expressed skepticism as to whether meaningful tax cuts will be delivered and openly questioned Clark's integrity on the matter. The conference was also marred by loud protests by opponents of the recent police terror raids. End Summary.

Labour Hoping for Boost in Polls

¶2. (SBU) Emborffs attended the ruling Labour Party's annual conference in Takapuna, Auckland, November 2-4, 2007. Labour Party MPs and delegates met to discuss policy and party strategy in the lead-up to next year's election and hear speeches from party leaders and invited guests. The mood of the delegates was generally upbeat despite the Labour Party trending 10 points behind the National Party in the latest political polling and recent unfavorable press over a ho-hum cabinet re-shuffle and senior cabinet minister Trevor Mallard's scuffle with a National MP.

Sustainability: Clark's Vision for New Zealand

¶3. (SBU) Clark's keynote speech outlined Labour's vision for New Zealand beyond the next election. While Clark talked about the core Labour Party values of social justice and fairness, she framed her speech within three broad and interlinked themes: sustainability; national identity, and economic transformation. A key pillar of the speech was the government's emerging climate change platform. Clark linked it to all three themes and asserted that going forward being the world's first carbon neutral country, sustainable and green will forever be part of New Zealand's national identity. Furthermore, being green will inevitably lead to economic transformation as more home-grown businesses develop eco-friendly products and more New Zealanders save money on lower power bills and minimize waste.

New Zealand to be Green Leader, Not Follower

¶4. (SBU) Clark also maintained that New Zealand should aim to be global leaders in climate change and sustainability efforts. Using New Zealand's history of being a world leader in suffrage for women, social security, workers' rights and being nuclear free as examples, Clark asserted that New Zealand should similarly strive to be world leaders as a truly sustainable and carbon neutral nation. She

indirectly disputed criticism from the New Zealand Institute, a leading New Zealand economic think-tank, that New Zealand risked damaging its international economic competitiveness if it got too far ahead of the rest of the developed world on climate change. The NZI instead recommended that New Zealand be a climate change "fast-follower," moving along with, or even a bit behind, other OECD economies' environmental efforts, rather than leading.

15. (SBU) Clark's remarks during a small reception for members of the diplomatic corps observing the conference were also heavily focused on climate change, rather than on social or economic issues. During that reception, her criticism of the NZI was much more direct. In surprisingly strong terms, she discounted NZI chief executive David Skilling's "fast follower" argument, displaying clear sensitivity to any criticism of what she may well consider her most important political legacy.

Tax Cuts Confirmed for Pre-election Budget

16. (SBU) Clark also confirmed that the next budget will produce long-awaited tax cuts. Since taking office in 1999, the Labour government has been extremely reluctant to cut personal tax rates, despite years of large budget surpluses. This has cost Labour over the years as it subsequently found itself repeatedly accused of overtaxing New Zealanders. The National Party, whose policy of broad personal tax cuts is extremely popular with voters, and many political commentators have repeatedly poured scorn on Clark and, in particular, her Finance Minister, Dr. Michael Cullen, for what they regard as unwarranted parsimony. Ironically, Clark's tax cut announcement at the conference was greeted with warm applause by the attending party delegates, most of who were from left-wing backgrounds, mostly out of relief that this longstanding political issue and vulnerability will be addressed before the next election.

WELLINGTON 00000809 002 OF 002

Throughout her conference speech she derided National as a "one-trick pony," that its only policy is tax cuts - and that Labour will be the party that delivers those cuts.

17. (SBU) Clark credited DPM Michael Cullen for providing the economic policies that have produced the surpluses to underwrite any tax cuts, and claimed that formal advice characterizing the surpluses as "one-offs" had been too conservative. She noted that had Labour been provided correct advice earlier, the tax cuts promised now would have come earlier. National and other media analysts have dug deeply into their files and pulled quotes from as early as 2000 to illustrate that Clark's remarks do not match historical record. When Parliament reconvened on November 6, National Party leader John Key confronted Clark with some of her own words - which characterized tax cuts in earlier years as the "promises of visionless and intellectually bankrupt people."

Terror Raid Protest Mars Conference

18. (SBU) The conference was marred by a number of protestors voicing opposition to the recent police terror raids. The protestors were confined to a small area outside of the conference venue, but were nonetheless very vocal and received wide media coverage. (Note: In full view of the media, one protester was struck on the head by a visiting Labour Party delegate and trade union leader as heated words were exchanged outside of the venue. End Note). Clark made only a brief reference in her conference address to the terror raids. The ongoing investigation restricted how much she could say on the subject, and she limited her remarks to defending the police and calling for ethnic tolerance.

New Zealand's Independent Foreign Policy in Danger

19. (SBU) Clark briefly discussed foreign policy; she focused on New Zealand's Pacific neighborhood as well as its proud peacekeeping record. She did not elaborate during her reception for diplomats, instead concentrating on her climate change legacy. Also, both at the end of her speech and during the diplomats' reception, she made

a point of defending Trevor Mallard, the minister who took a swing at an opposition MP just off the floor of parliament. While sensitive to suggestions that she let Mallard off with a slap on the wrist, Clark has continued to defend the embattled MP as someone who has contributed much to the Party over the years.

¶10. (SBU) More significantly, Clark warned Labour delegates that New Zealand's independent foreign policy would become a dependent foreign policy under a National government. While unable to accuse National of intending to roll back New Zealand's anti-nuclear legislation (as National's foreign policy paper explicitly says the legislation will remain untouched under National), Clark nevertheless tried to tar the National Party as beholden to foreign (i.e., U.S.) interests.

Comment

¶11. (SBU) Since the convention, the skepticism leveled at Clark's tax cut declaration by political opponents, the media and the public has completely overshadowed Clark's lofty vision of New Zealand's environmental future as a climate change leader. Repeated cycles of budget surpluses followed by qualified refusals by Cullen to significantly lower the tax burden has left many Kiwi middle class taxpayers embittered. Even when Cullen did adjust the tax brackets, the adjustments proved so minor as to further irritate the public. As a result, the public regards Labour as a tax tease. Many New Zealanders do not believe that they will receive any meaningful tax relief at the next budget, even if it comes in an election year. The mistrust was strengthened by a comment made by Cullen preceding Clark's announcement, when Cullen downplayed expectations and cautioned that any tax relief is likely to be small.

¶12. (SBU) Comment continued: The next major polls will come at the end of November, at which point we will see if the Labour Party gets the much-needed bounce in the polls that it hopes with the tax cut announcement. End Comment.

McCormick